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12 Protest, Progress, and the Politics of Reinvestment

In the late 1980s, a Canadian newspaper journalist who specialized in urban affairs took me on a tour of Toronto's neighborhoods. We drove through wealthy areas and more run-down sections. I asked him to show me the "worst" neighborhood in Toronto. There was nothing in the entire city comparable to an American slum or ghetto. I asked my tour guide if banks in Canada practiced "redlining." A sophisticated man with decades of experience analyzing urban policy and politics, this journalist had never heard the word. I explained that redlining was a well-known, although controversial, practice in the United States. He looked at me incredulously. "How can your government allow this to happen? Banks here simply couldn't get away with that. It wouldn't just be illegal. It would be unthinkable."

No other major industrial nation has allowed its cities to face the type of fiscal and social troubles confronting America's cities. Other industrial nations do not permit the level of sheer destitution and decay found in America's cities. We accept as normal levels of poverty, crime, and homelessness that would cause national alarm in Canada, Western Europe, or Australia. Compare, for example, cities in Canada—which has a similar economy and distribution of wealth—with our own. On every important indicator—crime, homelessness, poverty, infant mortality—Canadian cities seem to be on a different planet.

Persistent poverty, racial segregation, and fiscal crisis are the most fundamental problems facing our cities. More than three-quarters of America's 31 million poor people live in our metropolitan areas, and they are increasingly concentrated in ghettos and barrios (Dalaker 2001; Jargowsky 1997; Dreier, Mollenkopf, and Swanstrom 2001). While their poverty stems from both unemployment and low-wage work, their ghettoization results from racial discrimination. Black and Hispanic poor are much more likely than poor whites to live in mostly poor neighborhoods. Overall, levels of racial segregation have not significantly changed in the past thirty years, particularly in the older industrial cities in the northeast and Midwest (Glaeser and Vigdor 2001). In most metropolitan areas, three-quarters of blacks and Latinos would have to move to reach a random level of racial integration. At least two out of every three white Americans live in essentially all-white neighborhoods. Meanwhile, the level of *economic* segregation has increased, with the poor and well-off increasingly isolated from each other, and with a growing "spatial mismatch" between where the poor live and where job growth is occurring (Dreier, Mollenkopf, and Swanstrom 2001).

The community reinvestment movement emerged in the 1970s to address the reality of declining urban neighborhoods and persistent racial discrimination in housing and lending. Following in the wake of the Fair Housing Act of 1968—a key victory of the 1960s civil rights movement—the community reinvestment movement sought to focus attention on the role lenders played in exacerbating urban neighborhood decline and racial segregation. Its first major victory, the Home Mortgage Disclosure Act (HMDA), was passed by Congress in 1975. Two years later, it helped enact the Community Reinvestment Act (CRA). Community reinvestment advocates hoped that these laws would help reverse the private disinvestment in older cities and revitalize declining neighborhoods.

As other authors in this volume have pointed out, Lawrence Lindsey, former Federal Reserve Bank governor before becoming economic advisor to President George W. Bush, claimed that the world of community reinvestment is divided into those who engage in "noisy protest" and those who "grow up" and participate in "quiet accomplishment" (Lindsay 2000). But the reality is more complex. The movement has had to steer a difficult course. It has relied on community organizing as well as community development. It has engaged in confrontation and protest as well as collaboration and partnership. It is part of a grassroots activist crusade for social justice, but it is also part of the real estate and banking industry that cares primarily about the bottom line. Much of its success is due to its ability to walk a fine line between opposing worlds.

Without doubt the movement has made significant headway, but the political and economic forces shaping America's metropolitan economies today are much more powerful than the practices of the banking industry alone. On its own terms, the community reinvestment movement has been quite effective, but it will need to broaden its horizons—and forge wider political coalitions—if it is to build on its recent achievements and have a significant impact on revitalizing declining urban neighborhoods in the future.

Today, many are heralding the "comeback" of American cities (Grogan and Proscio 2000). The truth is that most of the trends that began in the late 1950s—private disinvestment from central cities, suburbanization, persistent racial segregation, wide income gaps between cities and suburbs—continued through the 1990s and into the next century. Although there have been some encouraging signs as we enter the twenty-first century, it is important not to overstate the gains or be lulled into complacency about the urban condition.

Disinvestment and Decline: The Transformation of Urban Areas

The community reinvestment movement emerged at a time when America's older cities were in the midst of a dramatic transformation and, for the most part, decline. One haunting phrase seemed to capture these trends: "disinvestment."

The rush to the suburbs accelerated in the 1960s and 1970s. The older "rustbelt" cities were hemorrhaging jobs and people. Between 1960 and 1980, for example, Buffalo's population fell from 533,000 to 358,00; Chicago's from 3.55 million to 3 million; Cleveland's from 876,000 to 574,000; Detroit's from 1.67 million to 1.2 million; Milwaukee's from 741,000 to 636,000; Pittsburgh's from 604,000 to 424,000; and St. Louis's from 750,000 to 453,000 (Downs 1997). In most metropolitan areas where central cities lost population, suburbs gained population. In metropolitan areas where central cities gained population—primarily in the South, Southwest, and West—suburbs gained population even faster.

Bluestone and Harrison popularized the phrase "deindustrialization" to reflect the wave of factory closings occurring throughout the country, particularly in the northeast and Midwest (Bluestone and Harrison 1982). Within these older cities, once-stable middle-class and working-class neighborhoods were losing their commercial districts. Long-term residents witnessed the shutdown of large employers and the exodus of supermarkets, pharmacies, clothing stores, five-and-ten-cent stores, and other retail services. Their neighborhoods were also losing a growing part of their housing stock to abandonment and arson, as homeowners and landlords moved out. Passersby saw weed-filled vacant lots where homes once stood.

The proportion of poor people living in cities grew and became increasingly concentrated in ghetto neighborhoods. In 1970 the poverty rate for all central cities was 12.6 percent; by 1980, it was 17.3 percent; by 1990, 19 percent. (By 2000 it had declined to 16.1 percent [U.S. Bureau of the Census 2000; Dalaker 2001].) In the one hundred largest cities, the proportion of census tracts with at least 20 percent poverty population increased from 27.3 percent in 1970 to 39.4 percent in 1990; the proportion of census tracts with at least 40 percent poverty population increased from 6 percent to 13.7 percent during that period (Kasarda 1993).

Middle-class families left for suburban neighborhoods, and the income gap between residents of cities and suburbs widened. The gap between per-capita income in the cities and suburbs in the eighty-five largest metropolitan areas grew continuously wider between 1960 and 1990. Between 1970 and 1990 the suburban poverty rate rose from 7.1 percent to 8.7 percent, a slower increase than the central city rate. (By 2000, it had declined slightly to 7.8 percent). These gaps between central cities and suburbs were created both by the downward mobility of existing city residents and by the out-migration of the better off (U.S. Bureau of the Census 2000; Dalaker 2001; Lucy and Phillips 2000). The racial composition of metropolitan areas changed as well, increasingly resembling what sociologists termed "chocolate cities" surrounded by "vanilla suburbs" (Farley et al. 1978).

The growing concentration of poor people in cities, the exodus of the middle class to the suburbs, and the disappearance of decent jobs in urban areas made it almost impossible for city governments to raise the revenue necessary to provide basic services. To avert fiscal collapse, many cities closed schools, hospitals, health centers, police stations, and fire stations. They laid off essential employees and reduced basic services, such as maintaining parks, repairing roads, and enforcing housing and health codes. This fiscal straitjacket and decline of urban public services further exacerbated the exodus of middle-class residents and businesses.

These trends, underway since the late 1940s, accelerated in the late 1960s, particularly after the wave of urban riots. Within a relatively short period of time, America's metropolitan areas had undergone a dramatic demographic and economic transformation.

Bank redlining clearly played a significant role in the urban decline of the 1960s and 1970s, but it was only one of several culprits. In the postwar era, federal government policies pushed middle-income people out of cities and pulled them into suburbs (O'Connor 1999; Mohl 1993; Dreier, Mollenkopf, and Swanstrom 2001; Fishman 2000). These included highway-building policies that opened up the hinterlands to speculation and development; housing and tax policies that offered government-insured mortgages and tax breaks to whites in suburbia (but *not* in cities); bulldozer urban renewal policies that destroyed working-class neighborhoods, scattering their residents to blue-collar suburbs, to make way for downtown business development; low-income housing policies that concentrated public housing and Section 8 developments in already poor neighborhoods; and Department of Defense decisions about where to locate military bases and where to grant defense contracts. Urban disinvestment was not simply a result of market forces but of federal government actions.

It would be misleading to suggest that all federal programs encouraged urban disinvestment, economic segregation, and suburban sprawl. Most federal policies exacerbated central-city decline and racial segregation, but the federal government also adopted another (smaller and less powerful) set of policies to improve the economic and social conditions of central cities. In truth, these federal aid programs to cities—whether to revitalize downtowns, attract private jobs to inner-city neighborhoods, stabilize poor and working-class neighborhoods, or provide fiscal assistance to local governments—served, in effect, to "clean up the mess" created by the federal government's much larger subsidies for suburbanization and urban disinvestment. In Alice O'Connor's phrase, federal urban policy has been "swimming against the tide" of most federal domestic policies (O'Connor 1999).

Many Americans think that the federal government coddled cities and that they are worse off despite the expenditure of billions of federal dollars. Steven Hayward of the conservative Heritage Foundation has observed that the federal government spent $600 billion on cities between 1965 and 1990, yet older central cities continued to decline. Such federal policies are doomed to fail, according to Hayward, because they ignore the "logic of metropolitan development" (Hayward 1998). Conservatives are essentially correct that federal urban policies have failed, but they are wrong about the reasons. These policies did not fail because they violated the logic of the market but because other government policies, exacerbating market forces, had already set powerful anti-urban forces in motion.

The Origins of the Community Reinvestment Movement

As with most social and economic trends, these trends were not immediately obvious but crept up on residents of urban neighborhoods. In the 1970s, a family turned down for a mortgage loan was more likely to assume that it simply did not meet the bank's underwriting standards than to think that it was a victim of discrimination. But a number of astute activists began to see a pattern. They started to recognize that many long-term homeowners and small-business owners—even those who were obviously creditworthy—were finding it increasingly difficult to obtain loans to fix up their homes or expand their businesses. Even neighborhood-based savings and loans institutions—created to promote homeownership—were rejecting mortgage applications from stable families that wished to purchase homes in areas that policy experts and journalists started calling "transitional" neighborhoods.

It soon became clear that these were not the random actions of misguided loan officers. Banks seemed to have made some policy decisions. They would accept deposits from local neighborhood residents but lend money primarily to people who bought homes in suburbs.

As Joe Mariano explains in Chapter 2, in the mid-1970s small groups of community activists in cities across the country recognized that banks were engaged in redlining. In Baltimore, Boston, Chicago, Cleveland, New York, and other cities, neighborhood residents and small-business owners began to recognize a pattern in bank lending decisions. Banks were making choices and refusing to make loans to homes and businesses in certain neighborhoods, creating a self-fulfilling prophecy of neglect, deterioration, and abandonment. The invisible hand of the market, they learned, had a red pen in it.

Local activists and organizers—like Gail Cincotta and Shel Trapp in Chicago—concluded that their neighborhoods were experiencing systematic disinvestment and began efforts to persuade banks to revise their lending practices. Some were simply educational campaigns to change the way bankers—often suburban residents with stereotyped images of city neighborhoods—viewed the areas. Other efforts involved consumer boycotts—"greenlining" campaigns—of neighborhood banks that refused to reinvest local depositors' money in their own backyards.

Most of the efforts ended in frustration, with little impact on the banks' practices. But some neighborhood groups achieved small victories, including agreements between banks and community organizations to provide loans or maintain branches in their neighborhoods. Eventually, activists across the country who were working on similar issues discovered one another and recognized their common agendas. From such localized efforts grew a national "community reinvestment" movement to address the problem of bank redlining (Fishbein 1992; Schwartz 1998; Squires 1992).

In response to grassroots pressure from the emerging neighborhood movement, Congress sponsored a number of initiatives to promote community self-help efforts against redlining and discrimination. These included three key pieces of legislation—the federal Fair Housing Act (FHA) of 1968, the Home Mortgage Disclosure Act (HMDA) of 1975, and the Community Reinvestment Act (CRA) of 1977. The FHA was the outcome of a heated legislative debate and might not have been enacted for several more years, if at all, except for the assassination of Martin Luther King in April 1968. As other chapters in this volume have made clear, the HMDA and CRA have been particularly critical in supporting organizing activities against redlining. Given the stakes, the legislative battles over these two bills were surprisingly low-profile affairs, and the bills were enacted with little fanfare or public controversy.

The adoption of the HMDA created the momentum for the CRA. It provided systematic data demonstrating the reality of redlining, which made it difficult for the banking industry to argue persuasively that it did not engage in widespread discrimination. Thanks to these laws and grassroots organizing, the entire community reinvestment climate has changed dramatically in the past few decades. Banks are now much more proactive in working with community organizations to identify credit needs and create partnerships to meet them (Schwartz 1998; Taub 1988). Government regulators are more active in evaluating lenders' CRA performance and using regulatory incentives to ensure compliance.

As the chapters in this book demonstrate, the CRA had minimal impact at first but gained momentum in the 1980s, despite resistance from the Reagan and Bush administrations and their appointed federal bank regulators. From 1977 through the late 1980s, federal regulators mainly failed to monitor and enforce the CRA. As a result, community reinvestment activities primarily involved bottom-up enforcement: local campaigns by community organizations or coalitions against local banks.

By the mid-1980s, these local activities had coalesced into a significant national presence. Thanks to the work of several national community organizing networks—ACORN, the Center for Community Change (CCC), the

National Peoples Action/National Training and Information Center (NPA/NTIC), and Citizen Action, aided later by the National Community Reinvestment Coalition (NCRC)—these local efforts became building blocks for a truly national effort that has produced dramatic results. Community groups learned how to use HMDA data to identify lending discrimination and used a variety of community organizing strategies to bring banks to the bargaining table, crafting community reinvestment "agreements." Even during the Bush years, the grassroots movement, with some Democratic Party allies in Congress, was able to use the savings and loan crisis as an opportunity to strengthen the CRA and HMDA laws.

In the 1990s, with a more sympathetic president in the White House and thus stronger enforcement by bank regulators, HUD, and the Department of Justice, the movement was able to build on its earlier work and increase the number and magnitude of its partnerships with lenders. Indeed, a growing number of lenders began to view its CRA-oriented lending as a profit center. The community reinvestment movement had pushed many banks reluctantly to increase their lending in minority and poor neighborhoods that had once been written off. Lo and behold, these loans performed well. Racial stereotypes had blinded the banking industry to the untapped market of the inner city. Ironically, it took a push from government regulation and grassroots organizing for bankers to pursue a neglected market opportunity!

The Community Reinvestment Movement: Ingredients for Success

The community reinvestment movement is probably the most successful example of grassroots community organizing since the mid-1970s. Of course, this is a little like being the tallest building in Topeka; there's not much competition. There are thousands of community organizations in cities across the country, but the hard truth is that most of them are not very effective. Many groups are able to "mobilize" protest action around immediate issues, but few groups are able to build strong organizations with genuine indigenous leadership that can sustain themselves over the long haul, overcome defeats, and build on victories (Dreier 1996; Warren 2001).

Community organizations have won many neighborhood-level victories. But despite the tens of thousands of grassroots community organizations that have emerged in America's urban neighborhoods since the 1970s, the whole of the community organizing movement is smaller than the sum of its parts. For every group that succeeds, there are many that do not. With some important exceptions, community groups that do win important local victories are not always capable of building on their success and moving on to other issues and larger problems. For the most part, despite local success and growth, community organizing has been unable to affect the national agenda—or, in most cases, even state-level policy. As a result, community groups often improve only marginally the conditions of life in many urban neighborhoods.

Any careful, honest examination of community mobilization must recognize that there are many false starts and dead ends. In fact, because we rarely hear about the efforts that went nowhere, we fail to note that many grassroots initiatives never get far beyond the first living-room complaint session, the first church basement meeting, the first leaflet that appeared in neighborhood mailboxes and went unacknowledged.

There are two major obstacles to successful community organizing. The first is that most neighborhood problems can't be solved at the neighborhood level; thus, to be effective, community organizations have to be able to influence corporate and government decision-makers outside the boundaries of their neighborhoods. The second is that most community organizations lack the capacity to mobilize sufficient resources—core constituents, external allies, media attention—to challenge existing power arrangements.

The sources of urban decay are found primarily outside neighborhood boundaries. Symptoms of urban decay—poverty, unemployment, homelessness, violent crime, racial segregation, and high infant mortality rates—have their roots in large-scale economic forces and federal government policy. These forces and policies include economic restructuring toward a low-wage service economy; corporate disinvestment (encouraged by federal tax laws); bidding wars among cities and states to attract businesses that undermine local fiscal health; redlining by banks and insurance companies; federal housing, transportation, tax, and defense spending policies that have subsidized the migration of people and businesses to the suburbs (exacerbating urban fiscal traumas); and federal cutbacks of various financial assistance, housing, social service, economic development, and other programs.

But success is not simply about winning victories on specific issues. It is also about changing attitudes. It is about overcoming hopelessness and the sense of futility that infect America's inner cities—which some have called the "quiet riots" of drug and alcohol abuse, domestic and street violence, and suicide. It is about giving people more confidence in themselves and in their neighbors. It is also about helping people recognize that there are few easy victories. While it is important to win short-term victories in order to maintain hope, no significant improvement in urban conditions will occur overnight; lasting change requires that people stay involved over the long haul. It is these changes in attitude that give people and neighborhoods the inner strength to organize around issues and to develop a vision that things can be different. Religious institutions often play a key role in community organizing, in part because they provide the moral solidarity that adds an important dimension to self-help efforts that transcend narrow concepts of self-interest.

Success depends on the ability of community groups to mobilize resources and generate external support for their activities from various members of the public (the "conscience constituency"), government officials, the media, and funding groups, including religious institutions, philanthropic organizations, businesses, and government. This means "reaching out" beyond neighborhoods, forging partnerships with allies, and learning when confrontation is called for and when negotiation and compromise are necessary.

Neighborhood organizations face enormous obstacles to repairing the social and economic fabric of their communities. What influence can neighborhood self-help organizations—neighborhood crime watches, tenant unions, community reinvestment organizations, and similar groups—have on policies made in state capitals or in Washington, D.C., and on decisions made in corporate boardrooms?

Although community-based organizations cannot, on their own, solve the major problems in their neighborhoods, they can provide the essential building blocks for doing so—*if* they are part of a broader social movement. That the community reinvestment movement did, eventually, expand from a disparate group of local efforts to a truly national movement helps explain its success. In light of the obstacles it faced, it is worth looking closely at this movement in order to understand the key ingredients that contributed to its success.

First, community reinvestment was an issue that affected many people and was clearly linked to economic and social conditions in urban neighborhoods. The movement identified a clear problem (redlining), a clear target (banks), and a clear solution (reinvestment).

The movement identified the "victims" of banks' redlining practices as entire neighborhoods, not individual residents. This stands in significant contrast to the "fair housing" movement, which seeks to identify individual victims of housing discrimination by realtors and landlords and to gain redress through legal settlements.[1] The victims of redlining were all the residents of a neighborhood experiencing decline. Organizing, therefore, did not depend on finding specific individuals who were denied loans by banks, which would have cut all others in the same neighborhood out of the potential constituency base.

By framing the problem this way, community organizers could use the social capital of these neighborhoods—the networks of formal affiliations through churches and other groups and informal affiliations through friendships—to forge a sense of solidarity and common purpose (Saegert, Thompson, and Warren 2001). Moreover, the community reinvestment movement was framed primarily in terms of place, not race. HMDA data clearly show that black and Latino applicants, and black and Latino neighborhoods, are much more likely to be denied loans than are white applicants and white neighborhoods. But while redlining was clearly motivated by racial stereotypes about urban neighborhoods and their residents, community organizers were able to mobilize both blacks and whites to challenge banks' disinvestment. The goal of the movement was not primarily to change patterns of racial segregation (to help blacks move into white neighborhoods or whites into black neighborhoods, for example), but to expand private credit into neighborhoods, to help existing residents fix up their homes, and to help people purchase homes in the neighborhood. The work of one coalition in Pittsburgh, recounted by Stanley Lowe and John Metzger in Chapter 6, is a good example of this organizing approach, which used social networks across racial and neighborhood lines to wage an effective campaign against major regional banks.

Second, the movement devised a clear "solution" to the problem it had identified. Activists pressured banks to invest more money in specific neighborhoods. This money (or, more accurately, credit) would go to individual homeowners and homebuyers, but it was not based on identifying specific victims who had been denied loans. Thus the benefits were spread quite widely. Even more important, one did not have to be a direct recipient of a CRA-inspired mortgage in order to benefit. By channeling mortgage credit into urban neighborhoods, banks were improving the entire neighborhood—raising property values, improving the physical condition of the neighborhood—so that even people who did not directly receive CRA-inspired loans could feel they were beneficiaries.

Moreover, the beneficiaries were not only individual homebuyers and their neighbors but specific organizations engaged in community development. The number of nonprofit Community Development Corporations (CDCs) working in urban neighborhoods expanded dramatically in the late 1970s and 1980s, due in large part to the community reinvestment movement and the CRA. By the late 1980s there were at least two thousand CDCs in the United States, mostly in older urban neighborhoods (Walker and Weinheimer 1998; Ferguson and Dickens 1999). Under pressure to channel credit into redlined neighborhoods, banks began to look for community-based "partners." To co-opt protest from community organizing groups and to win favor with regulators and politicians, banks forged partnerships with CDCs, providing them not only with credit to undertake a variety of housing and economic development projects, but also with philanthropic grants to underwrite their organizational operating expenses.

Community organizing and community development involve different approaches to urban reform. Community organizing involves mobilizing people to combat common problems and to increase their voice in institutions and decisions that affect their lives and communities. Community development involves neighborhood-based efforts to improve an area's physical and economic condition, such as the construction or rehabilitation of housing and the creation of jobs and business enterprises. There are clearly some tensions between some CDCs and some community reinvestment activists. Many CDCs are reluctant to bite the hand that feeds them—government officials and lenders—while some community organizing groups prefer confrontation.

In some cities, CDCs were part of the political coalitions engaged in community reinvestment protest. In most cities, however, CDCs were more cautious, unwilling to challenge banks directly but willing to take advantage of the outcomes of community protest. For the most part, protest groups shook the money tree and CDCs collected the rewards (Weir 1999; Dreier 1991).

Community organizations that engage in successful mobilization efforts sometimes branch out into community development. Efforts to balance these components are not without tension, however. Community groups that focus primarily on service delivery or community development often lose the energy and momentum required to do effective community organizing. Likewise, groups that do community organizing believe that getting involved in service delivery and community development can sap their strength and lead them to get "co-opted" by government and business elites. Despite this tension, some groups are able to combine the two successfully. For example, in a number of cities, ACORN (a national network of community organizations) has drawn on its success in challenging bank redlining to become involved in housing counseling for potential homeowners and in housing development. East Brooklyn Churches, a coalition of New York City religious congregations that is part of the Industrial Areas Foundation (IAF) network, spent a decade working on neighborhood issues before establishing its own housing development program (Nehemiah Homes), which has become one of the largest nonprofit development projects in the country.

Third, community reinvestment advocates made the "democratization of data" a key part of their overall strategy. In many disputes that engage community organizations, these groups are at an informational disadvantage. Their adversaries claim to have superior or "expert" information. The HMDA enabled community groups to identify the problem and gave them access to key information. In today's society, access to technology and financial expertise is critical to a community group's ability to deal with government and the private sector on complex issues. The HMDA helped level the playing field. It provided the data needed to analyze banks' lending patterns systematically (for housing loans but not commercial loans). It gave many community groups and university-based scholars—and some newspapers, local governments, and other agencies—the data with which to investigate geographic and racial bias in lending.

But, as Malcolm Bush and Daniel Immergluck note in Chapter 10, to make federal laws like the HMDA work, community groups must learn how to use them, and this usually involves having money to hire experts or to train staff in the computer skills needed to analyze complex data. The community reinvestment movement quickly learned how to take advantage of the HMDA data and translate them into reports understandable to the general public and the media. After Bill Clinton was elected president, community groups persuaded HUD to make HDMA data even more accessible. Foundations funded efforts—such as the Right-to-Know Network (<http://www.rtk.net>)—to help community groups learn how to use HMDA data. The dramatic expansion of the Internet helped this process along, since much of HMDA data is now available on line.

Fourth, the community reinvestment movement developed the capacity to develop allies among public officials, lawyers (as John Relman recounts in

Chapter 4), the news media, foundations, and even the banking industry. It was able to marshal external resources and engage "third parties." No movement can be successful without such allies. Learning how to recruit these allies and use these external resources is an important aspect of effective organizing (McCarthy and Zald 1977).

Initially, Senator William Proxmire, a liberal Democrat from Wisconsin, was the key advocate for anti-redlining legislation in Congress. Activists like Gail Cincotta worked closely with Proxmire and his staff to draft and then lobby for the CRA. In later years, Congressmen like Henry Gonzalez of Texas, Barney Frank and Joseph Kennedy of Massachusetts, and others, worked closely with community reinvestment advocates. A number of local officials, including Boston mayor Ray Flynn, also joined forces with community organizations on this issue.

Community groups formed alliances with university-based experts (primarily sociologists, economists, and planners) and consultants, who either wrote reports on behalf of these groups or taught community organization staffers how to use them. In the late 1970s, for example, ACORN's St. Louis chapter worked closely with a Washington University sociologist to produce HMDA-based reports. Groups like ACORN, the California Community Reinvestment Coalition, and others developed an internal capacity to use HMDA data in sophisticated ways.

The movement also cultivated reporters for major newspapers to report on redlining. The HMDA provided community groups with a dramatic story to tell. They could use HMDA data to produce multicolored maps and charts that demonstrated the reality of redlining. Newspaper reporters loved the HMDA. The data could reveal which neighborhoods in their circulation area were being starved for credit. It could reveal which banks were the culprits—and which banks were the "good guys." By the late 1980s—particularly as journalists became more sophisticated in using computers and quantitative data, a number of major newspapers began to report the redlining issue with some regularity. In fact, the *Atlanta Journal and Constitution* won a Pulitzer Prize for its 1988 series on this subject, "The Color of Money." Other newspapers followed suit. It is significant that an organization of investigative reporters even published a handbook on using HMDA and census data entitled *Home Mortgage Lending: How to Detect Disparities* (McGinty 2000).

Beginning in the 1980s, national and local foundations began providing grants to local community organizations and national networks engaged in community reinvestment organizing and advocacy. At the national level, the Ford Foundation, Surdna Foundation, and others invested in the community reinvestment movement. Even some bank foundations have provided grants to organizations involved in the community reinvestment movement.

Community activists also learned how to develop strategic alliances with some bankers. HMDA reports, for example, allowed them to make distinctions between "good" and "bad" banks in terms of lending performance. In some cities activists persuaded local governments to issue regular "report cards" on lenders using HMDA data; in other cities, community groups sponsored these reports on their own.

Sophisticated activists were able to take advantage of this. Rather than paint the entire banking industry with the same brush, they argued that community reinvestment laws were needed to push reluctant regulators and "bad" banks to live up to their legal and moral commitments. They also were able to get some of the "good" banks to support their legislative goals. Since no bank wants to be identified as one of the "bad" lenders, banks were sometimes willing to work with community reinvestment groups to avoid being subjected to public protests.

Within a decade after the CRA was enacted, many banks created separate "community reinvestment" divisions. These divisions were often staffed by "liberal" individuals who sympathized with the aims of the community reinvestment movement. Indeed, some of these people had themselves been community activists who were recruited by banks to serve as liaisons with community groups. These bank officials often became the internal allies of the community movement, providing it with useful information and advice.

Fifth, the community reinvestment movement's organizing strategy gave residents a clear set of remedies at the national, state, and local levels. It did not rely simply on neighborhood organizing. These remedies included local linked-deposit laws, state linked-deposit and anti-redlining laws, and, of course, the enactment, and then the strengthening and improved enforcement of, the federal HMDA and CRA. Consequently, groups could organize and achieve victories on several fronts, which allowed them to keep constituents "in motion" and to juggle a number of organizing campaigns simultaneously. It also permitted groups working at the local level to hook up with groups in different cities, and to join forces at the state and federal levels.

In Boston, for example—after the Federal Reserve Bank and the Boston Redevelopment Authority in 1987 produced separate reports revealing widespread lending disparities, both of which were reported in the local newspapers—community groups forged a coalition to push for changes. At the local level they worked to get the city government to adopt a linked-deposit law, which requires the city to do an annual "report card" of banking practices in Boston (using HMDA and other data) and to deposit city funds on the basis of banks' performance.[2] They also pushed the state government to adopt a community reinvestment law (for state-chartered banks) and to create a "soft-second" loan program for low-income homebuyers.[3] They pressured the Massachusetts Bankers Association and individual banks to create a consortium and to forge a community reinvestment agreement with specific targets for loans, new bank branches, and other services. And finally, through the National Community Reinvestment Coalition, they worked with other groups to pressure Congress to strengthen the CRA and HMDA laws (Dreier 1991; Campen 1992; Callahan, Chapter 5 of this volume).

In 2000 and 2001 a variety of organizations around the country—including ACORN, the AARP, and others—spearheaded a campaign to address the problem of predatory lending. This effort, too, involved working on multiple fronts.

Sixth, local groups working on the same issue were able to learn from one another through several national organizing networks and training centers, particularly National Peoples Action (NPA), ACORN, the Center for Community Change (CCC) and the National Community Reinvestment Coalition (NCRC), as well as the Woodstock Institute and Inner City Press.

These networks helped expand the capacity of local community groups to use the CRA and HMDA. They provided groups with training and linked them together to make the federal government—legislators and regulators alike—more responsive to neighborhood credit needs. Through these networks, acting on their own or in concert, grassroots groups pressured Congress to strengthen both the CRA and HMDA several times in the late 1980s. These were dramatic legislative victories against overwhelming political odds. In 1990 sixteen national organizations formed the National Community Reinvestment Coalition to strengthen the community reinvestment agenda. As John Taylor and Josh Silver noted in Chapter 11, within a decade the NCRC had grown to include more than eight hundred local community groups and local public agencies from across the country.

With funding from several foundations and technical advice from these national networks, community groups have been able to hire experts to help interpret HMDA data, publish reports, and expose systematic bank discrimination. Whereas in the past most HMDA studies focused only on one bank or one city, national groups such as ACORN have been able to demonstrate that the problem is widespread. In 1989 the Federal Reserve began to respond with several studies of its own.

Seventh, the CRA provided community groups and national networks with "organizing handles" and a place at the negotiating table. By requiring banks to meet community needs as a prerequisite for obtaining various approvals from federal bank regulators, and by giving consumer and community groups the right to challenge these approvals, the CRA provided the groups with leverage to bring banks to the negotiating table. Confronted with HMDA studies and community protest, banks invited community groups to negotiate in order to avoid further negative publicity and the possible loss of regulatory approval. Regulators—often under pressure from Democratic congresspersons from urban districts—often felt that it was necessary to respond to community groups' CRA challenges, especially when they were backed up by empirical studies and press attention. Some of these members of Congress held their own public hearings, or pressured the regulators to do so, which provided community groups with public forums at which to air their grievances.

The CRA did not mandate community participation. Community groups had to *earn* their place at the negotiating table by staging protests and actively challenging bank applications to regulators. Nor did the CRA provide funding for community organizations for operations or research. These groups had to rely on foundations and other funding sources to provide resources for staff, office space, and research. (In contrast, HUD provides funding to fair housing groups to do testing that identifies lawbreaking landlords and realtors.) Nevertheless, groups that were able to marshal these resources were able to gain a seat at the negotiating table with banks and regulators.

New Challenges, Obstacles, and Opportunities

CRA agreements alone have catalyzed more than $1 trillion in bank lending and services. Banks have channeled significantly more credit into low-income and minority neighborhoods than they ever did before passage of the CRA and HMDA. Even more important, many banks are now much more proactive in forming partnerships with community-based organizations and in making credit available in previously neglected neighborhoods (Joint Center for Housing Studies 2002; Hagg 2000).

But as the movement enters the twenty-first century, it confronts new challenges, obstacles, and opportunities. Urban America today is different from what it was in the mid-1970s when the movement began. Over the years, the movement has learned to adapt to changing circumstances. Dramatic changes in the metropolitan landscape, the political environment, and the banking industry will require the movement to make further adjustments. The discussion that follows briefly outlines some of those new realities.

During the 1980s and 1990s, CRA-related lending focused mostly on low- and moderate-income urban neighborhoods, primarily those populated by racial minorities. Community reinvestment activists, along with a growing chorus of bankers, take credit for the improvement in urban conditions that occurred during the 1990s. But some caution is called for. Just as bank redlining was only one of the causes of urban decline in the 1960s and 1970s, we cannot expect bank-driven community reinvestment initiatives to rebuild struggling cities and neighborhoods on their own.

To the extent that the CRA helped revitalize urban neighborhoods, it challenges the belief that cities can do fine on their own and do not need government to steer public and private investment into urban areas. The wave of CRA-inspired investment over the past two decades no doubt contributed to physical and economic improvements in urban neighborhoods. It is not clear, however, exactly who benefited. Did CRA loans promote "gentrification" or did they help lift the urban poor out of poverty by making it easier to gain access to wealth-generating assets?

It is true that many urban social indicators improved during the second half of the 1990s. Some urban analysts have even heralded a new era of "comeback cities." The 2000 census revealed that during the 1990s major cities such as New York and Chicago reversed their long decline in population. In most cities, unemployment, poverty, and crime rates declined, while the homeownership rate, particularly among blacks and Hispanics, increased. Banks made more loans in urban neighborhoods, and private investors built office buildings, retail stores, sports complexes, and other facilities. By the end of the decade, the long decline in wages among unskilled workers finally seemed to have stopped. Even air quality improved in many urban areas. These trends have led the media to herald an incipient urban revival.

This message is certainly preferable to the widespread stereotype that America's cities are cauldrons of social pathology past the "point of no return." But these trends are neither inevitable nor very robust. They stem largely from an unprecedented national economic expansion, reinforced by national policies that reduced unemployment, spurred productivity, lifted up the working poor, and targeted private investment to low-income urban areas (Freeman 2001).

None of these factors substantially changed the most fundamental urban problem—namely, the growing concentration of poverty in central cities (and now inner suburbs) and the growing separation between the poor and the well-to-do.[4] Nor does it appear that these positive trends have continued into the first decade of the new century. As the nation's economy drifted downward from 2000 through 2002, the indicators of urban revival—reductions in poverty, crime, and the proportion of families without health insurance among them—came to a halt.

In reality, the economic dynamism of cities persists alongside substantial poverty, social exclusion, and growing inequality. Indeed, the persistent vitality of many central cities has generated the vast disparities of wealth and poverty that are sometimes located only a few zip codes from each other.

Harvard Business School professor Michael Porter has argued that inner cities have a "competitive advantage" and will prosper if governments simply step out of the way and promote a favorable business climate (Porter 1995, 1997). But it is not simply a matter, as Porter implies, of government helping private-sector investors make the best of their opportunities. The playing field between and within American metropolitan areas is very uneven, putting central cities in particular at a disadvantage. Because of the fragmentation of local governments within metropolitan areas, municipalities engage in "bidding wars" to attract private investment, thereby undermining the fiscal health of their own jurisdictions (Harrison and Glasmeier 1997; Nowak 1997).

This fragmentation, along with federal and state tax laws, makes it difficult for cities to capture much of the wealth generated within their borders for use in reducing concentrated poverty and providing municipal services. As productive investments have become more mobile, even large, prosperous cities have cut back on spending for the poor. Between 1970 and 1990 New York City, with a long tradition of helping the poor, cut its per capita expenditures on the poor from $537 to $285 (in constant 1987 dollars).

Central cities and older suburbs have both the most severe social needs and the worst fiscal conditions, exacerbating their inability to provide adequate municipal services, such as public safety, education, housing, and infrastructure maintenance. All of this undermines their "business climate" and the eagerness of private firms to invest in inner-city neighborhoods. These conditions pose some serious challenges to those concerned about the future of the community reinvestment movement.

1. The United States is now a suburban nation, and many "urban" problems now confront older suburbs. The community reinvestment movement is basically an urban phenomenon. Its organizing work was based on the paradigm of urban decline amid suburban growth. Its initial campaigns focused on the concept that banks welcomed deposits of urban residents but then lent them to homebuyers in suburban areas. The problem of bank redlining and private sector disinvestment is no longer confined to inner-city neighborhoods. The community reinvestment movement needs to address the problems of these declining suburbs, which are also starved for credit, to revitalize declining neighborhoods and deteriorating housing.

The urban neighborhood conditions that triggered the community reinvestment movement in the 1970s have now spread to many suburban areas. The first wave of inner, working-class suburbs has long since been built out, their populations have aged, and their residents' incomes have stagnated since the early 1970s. These suburbs have developed increasingly "urban" problems that they cannot solve on their own. Decline has accelerated in many older suburbs, a troublesome trend, because they typically have even fewer institutional resources than do central cities to respond to the problems that have crept up on them.

Ironically, many families who flee central cities to escape urban deterioration end up in suburbs that are worse off than the cities they fled. A nationwide study of 554 suburbs found the popular image of suburban prosperity to be a myth. Using a suburb's median family income compared with the regional median as a measure of prosperity, William Lucy and David Phillips found that 20 percent of the suburbs declined faster than their central cities between 1960 and 1990 (Lucy and Phillips 2000). The process of suburban decline sped up after 1980, when almost one-third of the suburbs fared worse than their central cities. Between 1980 and 1990, more than half (57 percent) of the suburbs lost population. Based on these trends, the authors call the period after 1980 the "post-suburban era," or the era of suburban decline.

This trend continued in the 1990s. The number of poor people living within metropolitan areas but outside the central cities held steady during this decade, even as the number of central-city poor declined by 14.3 percent. (The poverty population also dropped in nonmetropolitan areas.) In a relative sense, poverty became more suburban.

Basically, rich suburbs have prospered while middle-income and poor suburbs have declined. As a result, the degree of income polarization in suburbs has increased rapidly. Census data for 554 suburbs show that the number of suburbs below 80 percent of the metropolitan median family income increased from 22 to 90 between 1960 and 1990, and the number above 120 percent of the metropolitan median fell only slightly (from 148 in 1960 to 142 in 1990). Just as the gap between rich and poor widened at the individual level, it widened tremendously between suburban locations. The number of solid middle-income suburbs fell 40 percent, and the average ratio between the highest- and lowest-income suburbs increased from 2.1 to 1 in 1960 to 3.4 to 1 in 1990 (Lucy and Phillips 2000, 170–77).

Decline most affected not the oldest suburbs but those built between 1945 and 1970. When these suburbs go downhill, they usually do so rapidly. Normally, all the housing within their borders was built at about the same time. After twenty-five years, major systems such as roofs and furnaces need to be replaced. Residents with money usually find that it makes more sense to purchase a new home on the suburban fringe, in exurbia, than to rehabilitate and expand older tract homes. Land prices are cheap there, and the latest construction technology gives buyers more bang for their buck. As Lucy and Phillips note, exurbanization is to the postwar suburbs what suburbanization was to central cities: it sucks the life out of older suburbs by siphoning off the most prosperous households.

Bank redlining is partly responsible for suburban sprawl. By denying loans to middle-income households who may have wished to remain in central cities, banks accelerated the exodus to the suburbs. But bank redlining is not primarily responsible for the shortage of affordable housing in better-off suburbs—a major cause of racial and economic segregation. Municipal exclusionary ("snob") zoning laws—and the unwillingness of state and federal governments to challenge local zoning autonomy—play an important part in limiting housing opportunities in many suburban jurisdictions.

2. *The racial and ethnic composition of the United States and its metropolitan areas is more complex and diverse than ever.* The community reinvestment movement was founded on the paradigm of urban areas populated by blacks and whites. But as Frey and Geverdt (1998), Frey (2001), Harris (1999), and a number of other social scientists have noted, the demographic trajectories of our major metropolitan areas are no longer dominated by the dynamic of whites fleeing to the suburbs as central cities become increasingly populated by blacks. In many respects, we are moving beyond the paradigm of "politics in black and white." Although most large central cities, such as New York and Los Angeles, are becoming less white, they are also becoming less black, as African Americans suburbanize and immigrants and their children take the place of the native born. Most suburbs are also becoming more heterogeneous in racial and ethnic terms. There is a growing number of "melting-pot suburbs." In contrast to the 1960s and 1970s, these transitions are not pitting whites against blacks but are creating more complex patterns.

The first two decades of the community reinvestment movement focused almost exclusively on gaps in mortgage lending and homeownership rates between blacks and whites. While blacks continue to lag behind whites in these two indicators, the growing Hispanic population in metropolitan areas requires a new approach. Levels of residential segregation, suburbanization rates, gaps in the homeownership rate, and mortgage lending gaps (as revealed in HMDA data) between whites and Hispanics are also significant. In the future, the community reinvestment movement will need to incorporate Hispanic organizations into a broader coalition.

The political implications of the changing racial and ethnic mix of America's urban areas have yet to play out fully, but the black-white racial cleavage that drove urban politics in the postwar period is no longer the major political dynamic. The emerging politics of interethnic relations is not going to be easy, but it may be less likely to be locked in racial polarization. More complex forms of interracial coalition are likely to arise.

3. *Racial discrimination in housing and lending is generally less overt than it was a few decades ago.* Public opinion polls consistently show that white Americans are considerably more supportive of racial integration in neighborhoods and schools than they were twenty-five or forty years ago. But it is difficult to know for certain whether racial discrimination has been reduced. Certainly discrimination is more subtle and less overt than it was in the past. Nevertheless, there is considerable documentation that landlords, real estate agents, appraisers, and lenders today treat whites differently from how they treat blacks and Latinos, even when income is factored in (Yinger 2001; Turner and Skidmore 1999).

The fair housing and community reinvestment movements have been able to demonstrate significant levels of racial discrimination by using "testing" and HMDA-based reports. The real estate and banking industries have responded in a variety of ways by educating their member institutions to avoid the most blatant forms of discrimination, which are obvious to consumers.

In other words, the success of the community reinvestment movement in reducing the most blatant forms of racial discrimination has made it more difficult to uncover and challenge more subtle forms of discrimination that generate less outrage. Public opinion and public officials are certainly more receptive now to contesting overt racism. Just as most Americans opposed Sheriff Bull Connor's use of fire hoses and billy clubs to attack civil rights activists, or overt racial profiling by police, so too do most Americans oppose racially restrictive covenants in property deeds and violent opposition to racial integration. Many Americans were understandably upset when early HMDA studies, using color-coded maps, demonstrated racist lending practices. But it is more difficult to mobilize around more subtle forms of racial discrimination or around institutional practices that result in racially disparate outcomes but that appear on the surface to be racially "neutral" in intent or procedure.

It may be possible that *intentional* discrimination has been reduced over the past few decades. But, as Squires notes in his introduction, what may are much more subject to interpretation.

A good example is the recent debate over issues of "creditworthiness." Lenders now argue that underwriting standards that consider an applicant's credit history are a necessary part of any review process. It is well known that whites are more likely to have wealth assets and less likely to have poor credit records than are blacks and Hispanics with comparable incomes (Oliver and Shapiro 1995; Conley 1999). These realities are primarily a consequence of past racial discrimination. Thus blacks and Hispanics have inherited a disadvantage, which means that the playing field for obtaining a mortgage (or insurance) is uneven, even if lenders and insurers treat applicants in a "colorblind" fashion.

Banks claim that even if their loan-processing reviews result in racial disparities in *outcomes,* they are not evidence of racial discrimination. Lenders can use this argument to deflect accusations of racial discrimination. Studies based on HMDA data alone cannot account for creditworthiness. Studies that "control for" creditworthiness—such as the Boston Federal Reserve report—rely on private data to which only lenders have access.

Similarly, the accelerating decline of bank branches and the increase of ATMs and on-line banking appear racially neutral, but they have significant racial implications. Because poor and minority households are less likely to have computers, they are even more likely now than before to be served by pawnbrokers, check-cashing stores, predatory lenders, and other forms of "fringe banking" (Caskey 1994).

4. The emphasis on homeownership poses dilemmas for community reinvestment advocates. The community reinvestment movement has been premised on the expansion of homeownership. The HMDA, for example, focuses on home-purchase and improvement loans, though it also covers multifamily loans. Much of the evidence used to justify the CRA is the wide gulf in homeownership rates between racial groups and between neighborhoods, which are viewed as indicators of a "credit gap" and of racial discrimination.

Since the community reinvestment movement began, the nation's homeownership rate has inched upward and the homeownership gap between whites and racial minorities has narrowed. At the peak of the business cycle in 1999, the homeownership rate reached an all-time high of 66.8 percent.[5] Without doubt, much of this achievement is a consequence of the pressure on lenders and regulators by the community reinvestment movement, including pressure on Fannie Mae and Freddie Mac, as Allen Fishbein describes in Chapter 7.

Although the homeownership gap between white households and minority (black and Latino) households remains wide, even when household income is considered, it has narrowed, due in part to stronger enforcement of federal anti-redlining laws and increased efforts by lenders, as well as Fannie Mae and Freddie Mac, to reach minority and immigrant consumers (Williams, McConnell, and Nesiba 2001). Moderate interest rates, relatively stable home prices, and employment growth have also contributed to this trend.

But aggregate figures can be misleading. Compared with the early 1980s, the homeownership rate in the late 1990s had actually *declined* among all age cohorts under 55. For example, the homeownership rate for the 30–34 age group was 62.4 percent in 1978 and 53.6 percent twenty years later. Moreover, many families who have managed to become homeowners are on shaky ground. In late 1999, according to the Federal Reserve's Survey of Consumer Finance, American households, particularly those with incomes below $50,000, had an unprecedented level of debt, including mortgage debt (Earnest 2000; Evanoff and Segal 1996; Savage 1999; Segal and Sullivan 1998; Uchitelle 1999; Wolff 2000; U.S. Bureau of the Census 1999).

Some observers have worried that an economic downturn would see a significant increase in mortgage delinquencies and foreclosure (although this might be partly offset by lower interest rates). This is exactly what occurred in New York following the economic upheaval in the wake of the attack on the World Trade Center in September 2001. Many homeowners there have been late with mortgage payments since the attack, and are now on the brink of foreclosure (Kershaw 2002).

As many of the chapters in this volume report, pressure from community activists can push banks (as well as secondary mortgage market institutions and home insurers) to revise underwriting standards in order to make previously marginal households creditworthy. But surely there are limits to the financial ability of many low-income households to afford homeownership—or the willingness of low-income families to sink all their resources into a house in a neighborhood that may not appreciate in value at the same rate as homes in other neighborhoods (Rosenthal 2001).

If the community reinvestment movement continues to operate as an advocate for homeownership, it will need to address these concerns. One obvious goal must be to level the playing field in terms of the federal government's housing subsidies. The vast majority of federal housing assistance comes in the form of tax breaks for homeownership, and the overwhelming proportion of those subsidies go to better-off families living in relatively expensive homes (Dreier 1997, 2003). Revising the nation's tax laws to provide subsidies to low- and moderate-income families who want to become homeowners—perhaps in the form of a tax credit similar to the earned income tax credit—would be one step in this direction (Retsinas 1999; Green and Reshovsky 2001). Pushing the lending industry and the secondary mortgage market institutions to encourage diverse forms of homeownership—including limited equity cooperatives—would be another vehicle for increasing homeownership and housing security for those whom the current system does not serve well. Resident-owned cooperatives are widespread in Canada and Europe, but less well known in the United States, in part because of the reluctance of lending institutions to provide financing for this form of homeownership.

5. *The financial services industry is much more consolidated and concentrated than ever before.* When the community reinvestment movement began in the 1970s, its primary targets were neighborhood savings and loan institutions. Their depositors were primarily individuals who lived and businesses that operated in the surrounding area. These institutions were created to make loans for homeownership. Although some S&Ls were quite large, most of them were sufficiently small so that people who lived in these neighborhoods considered them part of the community. When local residents began to understand that these institutions were engaged in redlining, they viewed it as a breach of faith. But, more important, because the depositors in these S&Ls came disproportionately from the surrounding area, the activists had convenient organizing handles for bringing these institutions to the negotiating table.

As Matthew Lee indicates in Chapter 9, "the CRA provides that banks have a duty to the communities from which they draw their deposits." But what happens now that the reality has shifted from neighborhood S&Ls to national and transnational "financial services" companies? How are community-based groups supposed to challenge the practices of firms that are headquartered thousands of miles away, that operate in many metro areas and even many countries, and that engage in a variety of financial services, some of them beyond the reach of the traditional framework of federal regulations? How do you hold financial institutions accountable to communities when they are distant, complex conglomerates whose key officeholders have no ongoing connections to many of the places where they do business?

Much has changed in the past two decades. The S&L industry lobbied Congress successfully in the 1980s to remove many of the constraints imposed on it by New Deal legislation, especially the restriction on lending only for home mortgages. As a result, the S&L industry was dramatically transformed in the 1980s. Savings institutions were now able to make commercial loans. Small S&Ls were purchased by larger S&Ls and by commercial banks. The industry engaged in an orgy of speculation and mismanagement, leading to the "S&L scandal" of 1989. Many S&Ls went bankrupt, forcing the federal government to spend hundreds of billions of dollars to bail out the depositors. By the early 1990s the neighborhood S&L was virtually a thing of the past.

At the same time, the entire banking industry underwent a similar transformation. Large local banks bought out smaller banks. Regional banks gobbled up local lending institutions. Between 1975 and 1997, the number of banking institutions declined by 40 percent as a result of failures, consolidations, and relaxation of laws limiting interstate banking (Joint Center for Housing Studies 2002, 14). Then, after heavy lobbying from banking and insurance industries, the Financial Modernization Act of 1999 tore down the seventy-year old legal firewalls between commercial banks and other financial services companies—insurance, investment banks, and others.

The restructuring of the mortgage industry has also had a significant impact. Private mortgage companies, which are currently *not* covered by the CRA, are making an increasing proportion of mortgage loans. In 1980 mortgage companies and other nonregulated lenders (in contrast to banks and thrifts) accounted for 29 percent of all one-to-four-family mortgage loans; by 1997, they accounted for 56 percent of them (Joint Center for Housing Studies 2002, 13). In Boston in 1990, banks had roughly 80 percent of the market share of mortgage loans; by 2000 mortgage companies had 70 percent of the market share (Callahan 2002; Campen 2001). As a result, "CRA's impact may be waning" (Joint Center for Housing Studies 2002, v).

The twenty-first century will certainly see a growing concentration of power in a smaller and smaller number of financial services conglomerates, which will present daunting new challenges. How, for example, can a community group in San Francisco bring pressure to bear on a bank headquartered in Charlotte, North Carolina, that purchased the San Francisco-based Bank of America?

Chapters 5, 8, and 9 of this volume address different aspects of this new problem. In the future, a major challenge to all community organizers will be the capacity of groups to organize "up to scale." Only groups that have a national base (such as ACORN) or are part of the national network (such as the NCRC, CCC, and NTIC) will have any reasonable chance to challenge the financial services giants.

This concern is not unique to the community reinvestment movement. Labor unions, environmental groups, and others have increasingly confronted the reality of unregulated "free" trade and economic globalization. Not only do many financial services firms operate globally, they provide the capital for other companies to expand investments around the world, often to take advantage of cheap labor, lax environmental regulations, and a union-free workforce held in check by authoritarian governments, many of them supported by the U.S government with military and economic aid. Indeed, U.S. banks are financing the flight of American jobs and the expansion of sweatshop conditions overseas or in low-wage areas of the United States. In many cases they use the deposits of American working families, including their pension funds, to do so. But none of these activities is currently within the scope of the Community Reinvestment Act.

Unless the community reinvestment movement is able to address these economic and political realities—in part by joining forces with labor unions and environmental groups—the new world of lending will increasingly be beyond their reach. The past decade has witnessed a growing willingness on the part of organized labor to forge coalitions with community groups, such as the living-wage crusades in dozens of cities around the country. Labor unions have been noticeably absent from all but a handful of community reinvestment campaigns, though they are beginning to work with affordable housing groups to address the housing concerns of the nation's working families (Dreier 2000a, 2000b; Dreier and Candaele 2002). It makes sense for community reinvestment advocates to forge alliances with unions, whose members live in low-income and working-class neighborhoods, in central cities and inner-ring suburbs that are subject to the redlining practices of lending institutions.

6. *The political environment is likely to shift away from support for community reinvestment unless a broad coalition can forge a counterweight to the financial services industry lobby and to suburban domination of Congress.* The community reinvestment movement gained momentum in the mid-1970s, a time when American politics was in backlash against urban rebellion, civil rights activism, and urban renewal programs. It was certainly swimming against the tide. If anything, the political climate is likely to be even less hospitable in the future unless a number of conditions change.

In the 1970s cities still had a significant voice in Congress and were able to stem or mitigate the backlash. This is no longer true. Congress is now dominated by members from suburban districts, a reflection of both demographic changes and congressional gerrymandering, which has increasingly isolated urban voters into a smaller and smaller number of "safe" seats dominated by liberal (increasingly minority) Democrats (Teixeria and Rogers 2000; Schneider 1992; Gainsborough 2001; Sauerzopf and Swanstrom 1999; Nardulli, Dalager, and Greco 1996; Wolman and Marckini 1998; Dreier, Mollenkopf, and Swanstrom 2001). If Democrats regain a majority in the House of Representatives, many of these liberal Democrats from urban districts will become chairs of key committees and subcommittees, but they will be operating in an environment requiring cooperation and compromise with suburban Democrats, many of them from "swing" districts where their electoral margins of victory are relatively narrow. The same dynamic is increasingly true in state governments as well (Weir 1996).

Any effort to address urban problems will require forging a political coalition with some elements of the suburban electorate, most likely the inner-ring suburbs that are facing increasingly "urban" problems. As noted above, many of these older suburbs confront problems of disinvestment and decline. The community reinvestment movement needs to build bridges across city lines, particularly in those "swing" inner-suburban districts.

The Financial Services Modernization Act of 1999, which rolled back some CRA provisions, was a clear indication that while the banking industry has learned to live with the CRA, it would still prefer to operate with fewer regulations. As Squires and other contributors to this volume make clear, banks have often touted their CRA agreements to improve their public relations and to win approvals from regulators, but CRA commitments are often vague, difficult to monitor, and difficult to enforce. With a few exceptions, grassroots community groups lack the capacity to monitor these agreements. In 1999, as Squires notes, "Congress could have established CRA or CRA-like requirements for all providers of financial services," but chose not to do so.

The political influence of the increasingly concentrated financial services industry is likely to grow, as major lenders, insurance companies, and others join forces to reduce federal government regulation of their industry. Banks and insurance companies have long been among the more generous contributors to political campaigns, spreading their largesse to both political parties. Despite the passage of the McCain-Feingold campaign finance reform law in 2002, business and industry groups will continue to have an overwhelming advantage in influencing elected officials.

The community reinvestment movement cannot hope to match the political influence of the financial services industry—through the legislative process (lobbying for amendments to strengthen the CRA), through the regulatory process (pressuring regulators to enforce existing laws), or through the political process (working to elect sympathetic politicians to Congress and state government)—on its own. Community reinvestment coalitions are quite fragile. Many lack the staying power to maintain their constituency base and to sustain mobilizing after initial victories. This is particularly true as the financial services industry becomes increasingly concentrated and distant from community accountability. The movement will need allies who share some of its specific agenda and who share a broader agenda to promote activist government to protect and expand the rights of working-class and low-income Americans.

The most effective vehicle for addressing these concerns is organized labor. Union strength reached a peak of 35 percent in the mid-1950s, enabling blue-collar Americans to share in postwar prosperity and join the middle class. Union pay scales even boosted the wages of nonunion workers. The erosion of America's labor movement since the 1970s has contributed to declining wages and living standards and the nation's widening economic disparities. In 2000 only 13.5 percent of the workforce belonged to unions, with less than 10 percent of the private workforce unionized.

Despite this decline, organized labor remains the strongest progressive political force in the country—one with the capacity to mobilize voters and influence the outcome of elections, especially in swing districts, and influence legislation. In recent years, the labor movement, under the new leadership of AFL-CIO president John Sweeney, has pledged to expand union organizing, and union membership has increased modestly in recent years. Recognizing their own political limitations, unions have also increasingly reached out to religious, community, and environmental organizations—in campaigns for local living wages and in efforts to put limits on unregulated global trade. The labor movement's future—among nonunionized service-sector and light manufacturing sector employees—is concentrated in cities and inner-ring suburbs.

As noted earlier, labor unions are dealing with an increasingly global and concentrated economy, and are seeking new tools to organize and new approaches to get governments to regulate conglomerate business operations.

Unions face their own version of economic redlining—the runaway company, financed by large-scale lenders. There is an obvious natural affinity between community organizations seeking to improve urban neighborhoods and labor unions that represent and seek to expand their membership among low- and moderate-income workers.

Conclusion

Gregory Squires calls the community reinvestment movement part of the "struggle to democratize access to capital." The next phase of this struggle, he observes, will be the battle over some version of the Community Reinvestment Modernization Act of 2001, sponsored by Congressmen Tom Barrett of Milwaukee and Luis Gutierrez of Chicago. As Squires notes, this bill would "extend CRA or CRA-like provisions to all mortgage lenders, insurers, and security firms. It would establish HMDA-like disclosure requirements for the property insurance industry. And it would revise those sections of the Financial Services Modernization Act [of 1999] that weakened the CRA." Squires acknowledges that "the prospects for this legislation are uncertain" and claims that it "depends on community-based organizing efforts."

In reality, no legislation as bold as the Barrett-Gutierrez bill is likely to make much headway without being part of a much broader progressive agenda. The struggle to democratize access to capital has many fronts. These include efforts to give employers a greater voice in their workplaces and over the investment of their pension funds; efforts to promote full employment at decent wages; efforts to shift our nation's public and private investment, and scientific talent, away from military spending and toward civilian needs, especially in our urban areas; efforts to limit to influence of big money on our elections and political system; efforts to increase the nation's investment in our *human* capital, including our schools, health care, and child care.

Today there are thousands of community organizations based in urban neighborhoods around the country. Most engage in relatively modest efforts, such as pressuring the police to close down a local crack house or getting city hall to fix potholes. Some are more ambitious. Their community organizing has included forming tenant unions, building community development corporations, combating redlining, challenging police abuses, fighting against environmental and health problems, mobilizing against plant closings and lay-offs, and reforming public education and (as ACORN has done in New York City) even setting up charter schools sponsored by grassroots organizations. National networks like ACORN, the Industrial Areas Foundation, US Action, and others have helped improve the capacity of these local groups to develop leaders, mobilize campaigns, and win local victories.

Urban activists also sank their roots in the labor movement, focusing their organizing efforts among workers in low-wage industries such as hospitals, hotels, janitors, garment workers, home health care workers, and others. This work has primarily been among women, immigrants, and people of color. Unions that have made the most headway in recent years have drawn on the tactics and themes of civil rights crusades and grassroots organizing campaigns that emphasize dignity and justice, and that forge alliances with community and church groups. In a number of cities, unions have formed ties with community activist groups like ACORN and the Industrial Areas Foundation. Recently, unions and community groups in several cities have conducted exciting "living-wage" campaigns to require private firms with municipal contracts or subsidies (such as tax breaks) to pay their employees decent wages and benefits. A growing number of these urban activists have built electoral coalitions—forging ties between community, union, environmental, women's rights, civil rights, and other organizations—to win a stronger voice in government decision-making.

Indeed, for the past twenty-five years, progressive grassroots movements have gained a stronger foothold in running local governments. In a few cases, progressive coalitions have actually taken power in City Hall. Their leaders and allies have been catapulted to elective office, including mayor and city council. Most of these progressive regimes took root in smaller cities with prominent universities, such as Cambridge, Madison, Berkeley, Santa Cruz, Santa Monica, and Burlington (Vermont), where Independent Congressman Bernie Sanders served as mayor and helped forge a progressive coalition that is still in power. But there have also been successful progressive electoral governing coalitions in Cleveland, San Francisco, Chicago, Boston, St. Paul, Pittsburgh, and other cities.

But the lessons of the past three decades of local activism are ambiguous. When progressive community and union activists forge alliances with progressives in local government, they can clearly make a difference. They can put pressure on banks to stop redlining and force landlords to fix up slum buildings and stop rent gouging. They can provide support to union organizing campaigns and improve the wages and working conditions of public employees as well as of employees of firms with municipal contracts. They can help restore confidence in government by doing an efficient job of "civic housekeeping"—picking up snow and garbage, recycling waste, fixing potholes. They can shift spending priorities to discourage gentrification and promote rebuilding of poor neighborhoods by community-based groups. They can add more women and minorities in public employment and push private employers to do likewise. They can restrict police abuses and even get local police departments to work more closely with neighborhood groups.

These community organizations, local union struggles, progressive mayors and city councilors have won many local victories. But the hard truth is that despite the existence of thousands of grassroots community organizations, despite the many progressive union locals, and despite the hard work of many progressive municipal officeholders, the whole of "progressive urban activism" is smaller than the sum of its parts. Progressive urban activists can gain a foothold in government and create models of successful public policies. But ultimately cities cannot, on their own, solve the urban crisis. Even the most radical mayors and city councilors simply lack the economic resources, tax base, or legal authority to address the many problems they confront. As a result, all this local activism has not yet added up to a progressive national political movement that can significantly influence federal policy. In large part this is because all these local efforts are fragmented, isolated from each other, unable to build on each other. With some exceptions, local community groups and even national networks that are essentially engaged in the same thing basically ignore each other's work rather than find ways to work together strategically.

A new political majority must be built around identifying and building on concerns that unite those who live in central cities with residents of the inner suburbs and community organizers with labor unions, environmental smart-growth advocates, and inner-city church activists. Finding common ground between these groups requires elected officials and organized citizens alike to show political leadership.

We need to understand three fundamental realities: outer metropolitan areas cannot prosper as much as they might without healthy central cities; the interests of inner suburbs are now closer in many respects to those of central cities than to those of better-off outer suburbs; and many problems that vex suburbanites as well as central-city residents have their roots in, and are exacerbated by, the competition for resources, including private investment, that now characterize our metropolitan areas.

This may seem to be a long way from the community reinvestment movement's initial organizing efforts in the 1970s, but it is part of the longer arc of social justice organizing that has inspired union, civil rights, environmental, and other progressive crusades to limit the power of big business and expand American democracy. The specifics may change, but the basic principles are the same. As Frederick Douglass wrote almost 150 years ago: "If there is no struggle, there is no progress."

Notes

1. In 1968 the Kerner Commission, appointed by President Johnson in the wake of ghetto riots, recommended enacting a national "open occupancy" law and changing federal housing policy to build more low- and moderate-income housing outside ghetto areas. By passing the Fair Housing Act, Congress addressed the first recommendation but not the second. Of course, much of the fair housing advocacy work over the past three decades—in the form of individual complaints or lawsuits—has helped more people than just the named plaintiffs. (See Kushner 1992, Keating 1994, and Saltzman 1971.) Some local organizations created to address fair housing have also organized around community reinvestment issues, however. This was the situation in Milwaukee, as described in Chapter 3 of this volume.

2. A number of cities and some states now have linked-deposit programs. An example of Boston's annual linked-deposit "report card" is available at: <http://www.cityofboston.com/treasury/1999banking.pdf>. For an analysis of the impact of community reinvestment advocacy in Boston, see Campen 2001.

3. A "soft-second" mortgage reduces a borrower's monthly costs by dividing the loan into two components: a conventional thirty-year fixed-rate loan (usually for 75 percent of the purchase price); and a subsidized second mortgage for 20 percent of the purchase price (interest only for a shorter period of time—for example, ten years). The program lowers monthly costs by eliminating the requirement to pay mortgage insurance premiums. The program typically requires a low down payment and has more flexible underwriting than many conventional mortgage products, and lower closing costs as well.

4. Data from the 2000 Census on the concentration of poverty and affluence are not yet available. For the most recent analyses, see St. John 2002; Abramson et al. 1995. For recent trends in income and wealth inequality, see Mishel, Bernstein, and Schmitt 2000.

5. This was the rate at the end of 1999. It has increased slightly since then to over 67 percent.

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